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Supreme Court of the United States

October Term, 1937.

No. 208.

LEITCH MANUFACTURING COMPANY, INC.,
Petitioner,

vs.

THE BARBER COMPANY, INC.,
Respondent.

On a Writ of Certiorari to the United States Circuit Court of Appeals for the Third Circuit.

BRIEF FOR PETITIONER

SAMUEL OSTROLENK,
Attorney for Petitioner.

Of Counsel:
CHESTER N. GREENOUGH,
RICHARD A. MARDEN,
S. MICHAEL PINELES.

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LEITCH MANUFACTURING COMPANY, INC.,
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v.

THE BARBER COMPANY, INC.,
Respondent.

BRIEF FOR PETITIONER.

This action was brought by the Plaintiff-Respondent, The Barber Asphalt Company (since then changed to The Barber Company, Inc.), in the District Court of the United States for the District of New Jersey under the Patent Laws, for contributory infringement of the Hayden Patent No. 1,684,671 by the Defendant-Petitioner, Leitch Manufacturing Company, Inc.

The Bill of Complaint alleged that the Leitch Manufacturing Company, Inc., made and sold asphalt emulsion with knowledge and intent that it would be used to infringe the Hayden Patent and that it was so used.

On the allegations in the Bill of Complaint, the Defendant filed a Motion to Dismiss based on the *Carbice Corporation of America* v. *American Patents Development Corporation et al.* case, 283 U. S. 27. The Motion was denied, but at the trial the Defendant again raised this issue. The District Court held the patent in suit invalid (14 F. Supp. 212) and, therefore, that it was unnecessary for it to pass on the ques-

tion of whether the *Dry Ice* case, *supra*, applied to the present case. On appeal to the United States Circuit Court of Appeals for the Third Circuit, that Court held the Hayden Patent valid and that the *Dry Ice* case did not apply (89 F. [2d] 960).

A Petition for a Writ of Certiorari was then addressed to this Court praying for a final review of the decision of the Court of Appeals of the Third Circuit. This petition was granted and the case is now before this Court for hearing.

The undisputed facts of this case are as follows:

The Plaintiff-Respondent, The Barber Company, Inc., owns the Hayden process patent for applying asphalt or bituminous solution to concrete before the concrete "sets." But they are not in the business of making concrete of any kind, nor of constructing roads (R., p. 53). Instead, they are engaged in the business of preparing and selling asphalt and bituminous solutions.

This patented process is practiced by road contractors with asphalt they purchase from Plaintiff-Respondent, or its competitors, such as the Petitioner-Defendant, Leitch Manufacturing Company, Inc.

Neither the Leitch Company, Defendant-Petitioner, nor The Barber Company, Plaintiff-Respondent, practices the patented process and there is therefore no charge here of actual infringement by the Defendant. Instead, as stated, they both sell, in competition with each other, the unpatentable common asphalt emulsion to road contractors who have been purchasing such asphalt for thirty or forty years for numerous other purposes (R., p. 51). Indeed, a relatively small percentage of the purchased asphalt is used by them in the patented process (R., p. 51).

The Leitch Company is charged with contributory infringement because it, in competition with Respondent, sells asphalt emulsion to road contractors who use it in the patented process.

The Barber Company asserts in its Bill of Complaint that it stands ready to give and does *give* licenses to road contractors if they buy the unpatentable asphalt emulsion from The Barber Company, Inc. (R., p. 6, clause 7).

The Issue.

These facts raise the following issue:

May a patent be employed for the primary, obvious and frank purpose of securing a limited monopoly in an unpatentable material?

The answer to this was clearly given by this Court in the *Dry Ice* case (283 U. S. 27) but has been misconstrued by many of the patent profession and by the Courts.

The present case affords an opportunity to stop further misconstruction by reaffirming the clearly expressed principle of law, namely, that contributory infringement does not lie where the primary intent or *purpose* of the Plaintiff in bringing the infringement action, as deduced from his acts, is to secure to himself a limited monopoly in an unpatentable material.

Such an *intent* may be inferred when:

(1) the Plaintiff's business is primarily in the sale of the unpatentable material, and

(2) the Plaintiff derives all or substantially all its profit from such sale.

It would seem that this was made unquestionably clear by this Court in its repeated emphasis on these factors in the *Dry Ice* case where it called attention to the fact that:

1) "The *sole* business of the Dry Ice Corporation is the manufacture of solid carbon dioxide * * *" (p. 29);*

2) "It (the Dry Ice Corporation) does not make or sell transportation packages * * *" (p. 30);

3) "The Carbice Corporation also manufactures solid carbon dioxide" (p. 30);

4) "In the case at bar the plaintiffs *neither sell* nor license others to sell complete transportation packages. They supply merely one of the several ma-

* All emphasis by Petitioner.

terials entering into the combination; *and on that commodity they have not been granted a monopoly.* Their *attempt* to secure one cannot be sanctioned" (p. 34);

5) "The Dry Ice Corporation has no right to be free from competition in the *sale* of solid carbon dioxide" (p. 33);

6) "Relief is denied because the Dry Ice Corporation is *attempting,* without sanction of law, to employ the patent to *secure a limited monopoly* of unpatented material used in applying the invention" (pp. 33, 34).

To Petitioner, these statements culled from that decision clearly indicate that in a suit for contributory infringement as distinguished from an ordinary infringement suit, the Court may properly inquire into the business of the Plaintiff to determine the actual relief he is seeking.

Is it really to secure to the patentee the undisturbed enjoyment of his actually granted patent monopoly or is it primarily to secure some other monopoly not granted him by the patent?

Such an inquiry is proper because in contributory infringement relief is usually sought, not for the thing patented, but for an unpatentable part thereof which a third party will use in accordance with the patent. Accordingly, the doctrine of contributory infringement which is an equitable doctrine originated by the Courts to do equity in the proper cases, readily lends itself to abuses.

The *Dry Ice* case merely reaffirmed an obviously sound principle of law, namely, that where the Plaintiff's *intent* in bringing the action, clearly deducible from the Plaintiff's and Defendant's business, is to extend his monopoly to unpatentable supplies, no such grant will be given. In other words, this Court will not permit the distortion of an equitable principle into an instrument of inequity.

Nothing in the *Dry Ice* case can properly be construed to mean that the sale of unpatentable material will not be enjoined where the *sole purpose* is to stop an infringement of a patent *which the Plaintiff is practicing* and from which he derives his profit. And it is respectfully urged that this

distinction be repeated in the present case as was done in the *Dry Ice* case when this Court said in distinguishing from the *Leeds & Catlin* v. *Victor Talking Machine Co.* case, 213 U. S. 325:

> "That was an ordinary case of contributory infringement. The Victor Company *sold* machines embodying a patent for a combination. * * * There was no suggestion that the Victor Company, *which itself manufactured and sold* the patented product, sought *'to derive its profits, not* from the invention on which the law gives it a monopoly, but from the unpatented supplies with which it is used.'" (p. 34).

It would seem to the present Defendant that this Court was clearly saying the issue is not in the patentability or unpatentability of the material. In fact, this Court in the *Dry Ice* case rejected such specious distinctions in comparing the *Dry Ice* case with the *Victor* case, *supra*. Rather, as appears from the *Dry Ice* case, the issue of contributory infringement depends on whether, from the actual business of the Plaintiff and the source from which it derives its profit, it is reasonable to infer that the primary object of the Plaintiff is to set up an unlawful monopoly on the unpatented material, thereby obtaining larger financial returns than is obtainable from a mere enforcement of the actual patent grant. Obviously, under such circumstances, no tort has been committed which justifies granting equitable relief.

This Court in refusing to be diverted from the true issue in the *Dry Ice* case by subtle differences over cases such as the *Morgan Envelope Co.* v. *Albany Perforated Wrapping Paper Co.*, 152 U. S. 425, where no contributory infringement was found because of the "passivity" of the paper with respect to the combination of paper and a dispensing mechanism said:

> "These distinctions are without legal significance. Infringement, whether direct or contributory, is essentially a tort and implies *invasion* of some right of the patentee" (p. 33).

Now, that invasion is clear and unequivocal when a charge of direct infringement is involved. When, however, the charge is contributory infringement, it becomes important to examine whether the Plaintiff is really seeking to prevent such a tort or is instead using the patent as a color of legality for securing a monopoly in unpatentable materials. And that is determined by the Plaintiff's own business.

The sociological dangers involved in any different application of the doctrine of contributory infringement are manifest in the particularly flagrant character of the present case.

Here a patent was obtained by The Barber Company for a process for applying asphalt emulsion to freshly laid concrete at any stage before the concrete "sets," i. e., becomes hard enough to walk on without being marred. A German patent to Lechler, No. 337,134, Plaintiff's Exhibit 9, patented four years before Hayden filed, describes this process. In the District Court, Plaintiff urged that the Lechler Patent did not describe that the bituminous paint was applied before the concrete had "set," although Plaintiff admitted that Lechler did say that it is applied to "fresh concrete." But "before set," according to Hayden's own definition, covers a relatively long period after the concrete has been laid, i. e., from the time it is still liquid when first laid until it has hardened enough to withstand the weight of a man, and the German patent describes the application of asphalt to the concrete "while the material (concrete) is still liquid."

Moreover, the expression "before set" on which Plaintiff puts so much stress was inserted in his patent application three years after his application was filed, and, therefore, if the term "before set" has any patentable merit, its insertion after the application was filed renders his patent invalid as being new matter. *Railway Company* v. *Sayles*, 97 U. S. 554, 563; *Steward* v. *American Lava Company*, 215 U. S. 161, 168.

In short, since both Hayden and the German patentee sought the same solution, i. e., the prevention of water evaporation, and since both use the same method, i. e., apply

a water impervious film, they have both shown the same process. The expression "before set" in describing the time when the film is applied is an afterthought of the Plaintiff. Hayden admitted in his patent (p. 1, lines 8-18) that it was common knowledge that whatever means was employed to prevent evaporation had to be applied before the concrete had set. Lechler in describing this period used the expression "fresh" and Hayden employed the term "set" for the first time in an amendment entered three years after he filed.

However, the District Court properly rejected this alleged distinction of "before set" over "freshly laid" cement as spurious, and held the Hayden Patent in suit invalid.

The Circuit Court of Appeals also could not accept Plaintiff's contention as to the subtle distinction attempted to be drawn, but reversed the District Court on the ground that the Lechler Patent did not say the concrete was for "roadway construction" (R., p. 139), thereby holding in effect that a patent for a mere difference in use was valid. (It is to be noted that claim 9 is not limited to road construction.)

Thus we have a process patent in which the invention, according to the Circuit Court of Appeals, resides not in the process *per se* but in using the process for roadways and we have a Plaintiff who would use such a patent to hamper its competitor and thereby prevent him from selling *any* asphalt emulsion to road contractors, although both Plaintiff and Defendant had been carrying on such sale for years before the present patent was filed.

That the proposed injunction will have this effect will be evident from the following:

The Leitch Company has been selling asphalt emulsion in large drums to road contractors for many years before the present patent was filed. Even now only about 5% of the sold product is used by the road contractors in carrying out the patented process, the remainder being used for road repair, construction, etc. Inasmuch as the Leitch Company or any manufacturer of asphalt knows of the likelihood that a road contractor may use some asphalt emulsion in accordance with the patented process, he would always have the heavy responsibility that some subordinate might sell emul-

sion with knowledge of infringement. Accordingly, to avoid the risk of being brought up for contempt of court, the Leitch Company would necessarily have to stop selling *any* asphalt to road contractors, although this has been its business for many years.

Thus a patent probably invalid for new matter, and in view of prior art, becomes a means for creating a substantial monopoly in the sale of an old asphalt emulsion. It is much more flagrant than the *Henry* v. *A. B. Dick Co.* case, 224 U. S. 1, or the *Motion Picture Patents Co.* v. *Universal Film Mfg. Co.* case, 243 U. S. 502, 515, where conditional sales requiring purchase of unpatentable supplies with the purchased machine were held by the Court to be contrary to public policy and the Clayton Act. In those cases the limited monopoly sought, while in principle as bad as in the present case, was at least restricted to a sale of unpatentable supplies to purchasers of machines. In the *Dry Ice* case, this attempt at an illegal monopoly was "inched" a little further to cover Dry Ice sold to *anyone* but still limited to those who used it in a patented container. In the present case all restraint is thrown aside and the Plaintiff for all practical purposes is asking for a monopoly in the sale of asphalt emulsion to road contractors and that Defendant's business which has been conducted for years prior to the alleged Hayden invention be so hampered with restrictions and danger of contempt actions, as to prevent Defendant from proceeding in his regular lawful business.

CONCLUSIONS.

It is respectfully submitted that the equitable Doctrine of Contributory Infringement does not warrant its extension to secure by direct or indirect means a limited monopoly in the sale of unpatentable materials, and, therefore, in determining whether contributory infringement lies, the purpose and intent of the Plaintiff asking for injunctive relief deducible from the facts may be investigated by the Court. If the Plaintiff's business from which he derives his profit is in the

sale of the unpatentable materials the Court may properly infer that its primary intent is to obtain a limited monopoly in these old and unpatentable supplies, and the case should be dismissed.

There is nothing in such a holding which in any way limits the well-established doctrine of contributory infringement in cases where the Plaintiff's primary and only purpose, deducible from the facts concerning the nature of his business, is to stop actual interference with his granted patent monopoly, even where he seeks to stop the sale of unpatentable materials. In such cases, no doubt, an equity court would be justified in granting injunctive relief.

In the present case, The Barber Company, manufacturers of asphalt emulsion, from which product (rather than from the practice of the patented process) they derive their profits, should not be permitted to secure a monopoly in this sale through an improper use of their patent, and the Circuit Court of Appeals for the Third Circuit should be reversed and this case returned with an order of dismissal.

Respectfully submitted,

SAMUEL OSTROLENK,
Counsel for Petitioner.

November 18, 1937.

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IN THE

Supreme Court of the United States

No. 208. **October Term, 1937.**

LEITCH MANUFACTURING COMPANY, INC.,
Petitioner,

v.

THE BARBER COMPANY, INC.,
Respondent.

Brief for Respondent in Opposition to the Petition for Writ of Certiorari.

GEORGE J. HARDING,
FRANK S. BUSSER,
Counsel for Respondent.

Typographical, 311 Chestnut St., Philadelphia

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IN THE

Supreme Court of the United States.

No. 208. October Term, 1937.

LEITCH MANUFACTURING COMPANY, INC.,
Petitioner,

v.

THE BARBER COMPANY, INC.,
Respondent.

BRIEF FOR RESPONDENT IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

The questions presented by the Petitioner do not have any basis in the evidence in this case.

We discuss the several headings in the Petition and Brief in the order in which they are presented by Petitioner.

I. STATEMENT OF THE CASE.

Petitioner's statement of the case is incomplete and presents the basis of the charge of contributory infringement inaccurately.

This is a case of entirely voluntary and intentional contributory infringement of United States Letters Patent No. 1,684,671, dated September 18, 1929,—an ordinary case of contributory infringement.

The Petitioner is charged with, and admits, selling and delivering bituminous emulsion to Standard Bitulithic Company (a) *with knowledge of the patent,* (b) *with knowledge that the bituminous emulsion was for use* in curing concrete roadway *in accordance with the method defined by the*

claims of the patent, and (c) *with knowledge that it was so used* (Record pp. 139-140, Stipulation of Facts [Plaintiff's Exhibits, not printed] quoted in opinion of Circuit Court of Appeals), clearly an entirely wilful and purposeful contributory infringement as found by the Circuit Court of Appeals.

Standard Bitulithic Company was a direct infringer of the patent and Petitioner does not deny the fact. *It was not a customer (or licensee) of Respondent in the premises and Respondent did not sell emulsion to it in competition with Petitioner.* It consented to a decree against it in a suit by Respondent's predecessor in the District of New Jersey. **(The Barber Asphalt Company v. Standard Bitulithic Company, in Equity No. E-4725,** a matter of public record in the United States District Court for the District of New Jersey).

Respondent, *in addition* to standing ready to permit the carrying out of the method of the patent by its customers, long ago *granted a license for valuable consideration,* i. *e.,* to Johnson-March Corporation to practice the method, and Johnson-March Corporation does practice the method under the license (Record p. 6, Clause 7, and pp. 55-59).

There is no restriction upon Respondent's licensee, Johnson-March Corporation, with respect to purchase of material from Respondent.

There is no evidence that Respondent in any way restricts its customers for bituminous emulsion in connection with the patented method or otherwise, and, in fact, they are not restricted. Anyone may purchase emulsion from Respondent and may use emulsion purchased from Respondent in any way desired.

II. QUESTIONS PRESENTED BY PETITIONER.

The questions presented by the Petitioner here are not based on or susceptible of answer from the facts of this case, since there is no evidence that Respondent (a) uses the patent so as to require that unpatented material be purchased from it; or (b) requires as a condition in granting a license under the patent that the proposed licensee purchase unpatentable material from it.

Respondent's acts with respect to the sale of emulsions are wholly permissive. Its customers of emulsion purchased from it for curing concrete have an implied right to use the method of the patent if they choose, or they may use the emulsion for any other purpose.

III. THE DRY ICE CASE AND THE PRESENT CASE.

Carbice Corporation of America v. American Patents Development Corporation, et al., 283 U. S. 27, popularly known as the *Dry Ice Case*, was not a case of contributory infringement. It involved an illegally restricted license.

In the *Dry Ice Case*, Carbice Corporation was charged with contributory infringement on account of the sale of dry ice *to a customer* of Patents Development Corporation. The customer, by virtue of its dealings with the Patents Development Corporation, was found to have a license free from illegal restrictions requiring it not to use dry ice purchased by it from Patents Development Corporation except in approved containers and to use only dry ice purchased from Patents Development Corporation in containers approved by Patents Development Corporation.

The customer of Patents Development Corporation, to whom Carbice Corporation sold, was not an infringer; hence obviously Carbice Corporation did not commit contributory infringement in making the sale.

The Court held in the *Dry Ice Case:*

"But it [the patent owner] may not exact as the condition of a license that unpatented materials used in connection with the invention shall be purchased only from the licensor; and if it does so, relief against one who supplies such unpatented materials will be denied." (283 U. S. 27, 31.) (Brackets ours.)

"The relief here sought is indistinguishable from that denied in the *Motion Picture case.* **[Motion Picture Patents Co. v. Universal Film Mfg. Co.,** 243 U. S. 502.] There, it was held that to permit the patent-owner 'to derive its profit, not from the invention on which the law gives it a monopoly but from the unpatented supplies with which it is used', is 'wholly without the scope of the patent monopoly.'" (283 U. S. 27, 31-32.) (Brackets ours.)

"Infringement, *whether direct or contributory,* is essentially a tort, and implies invasion of some right of the patentee." (283 U. S. 27, 33.) (Italics ours.)

"The case at bar is wholly unlike **Leeds & Catlin v. Victor Talking Machine Co.,** 213 U. S. 325, 33, on which plaintiffs rely. *That was an ordinary case of contributory infringement.* The Victor Company sold machines embodying a patent for a combination.* Leeds & Catlin were held to be infringers because the intended incorporation in the Victor machines of the article which they sold did not constitute a repair of the machine and hence was not within the license implied on sale." (283 U. S. 27, 34.) (Italics ours.)

The present case is clearly distinguished from the *Dry Ice Case* in view of, *inter alia,* the following facts: (a) Respondent has not granted any license, express or implied,

*It is noted that the *Talking Machine case* involved a method claim, claim 5 of the Berliner patent in suit, as well as apparatus claim 35 of the patent in suit.

subject to restriction that any material be purchased from it. (b) *Standard Bitulithic Co.*, to whom Petitioner sold with knowledge, *was not a customer or a licensee of Respondent.* (c) *Standard Bitulithic Co.*, in using the material sold to it by Petitioner, *was a direct infringer.*

It follows that since the charge of contributory infringement here is predicated on direct infringement, the present case is an ordinary case of contributory infringement and is squarely ruled by the *Talking Machine Case* (**Leeds & Catlin v. Victor Talking Mach. Co.**, 213 U. S. 325).

IV. REASONS FOR ALLOWANCE OF WRIT OF CERTIORARI.

A. The doctrine of contributory infringement has been well settled by this Court. The application of the doctrine of contributory infringement is no more affected with public interest than is the application of the doctrine of direct infringement.

The doctrine of contributory infringement, as well settled, is commonly applied in cases involving the sale of commonly used unpatented articles or materials with knowledge that they are for use in the commission of direct infringement.

B. In the *Talking Machine Case* the injunction upheld by this Court enjoined contributory infringement of method claim 5 of the patent in suit on account of the sale of an unpatented article, *per se* fully open to the public, and sold to users of the patented method in competition with the owner of the patent.

Since the Respondent here does not offer licenses to users on condition that they purchase asphalt emulsion from it, the patent owner, and has not granted any license